

'Focus on the value of building strong organizations that can withstand or adapt to changes in the market place'

Jayan Ramankutty, 45, a Fremont, California-based technocrat has co-founded and sold three companies. The last two he did when the industry was reeling under recession and at a time, nobody was daring to think of acquisitions. Currently Ramankutty is the vice president of Strategic Alliances at Cypress Semiconductor's Data Communications division. He holds an MS in computer engineering from San Jose State University and a BE EEE from BITS, Pilani. In an interview with V.E. Krishnakumar, Ramankutty, who has survived two recessions and sold two companies in a span of 18 months, says that we will see more M&A in 2003.



How did you manage to get through two mergers, given the tough market conditions?

At Lara Networks, we had pioneered a key technology called "Network Search Engines" (NSE) that enabled wire-speed packet processing in switches and routers. We had a rich portfolio of products that fetched us a healthy revenue stream. Our rev-

enues for 2000 was \$20MM and projected to grow over the next few years.

Our products were shipped to customers worldwide most of whom were the "Who's-Who" in networking and telecom. We also had a strong design methodology and a disciplined engineering team that guaranteed us first-time success in every silicon that we

produced. This helped us with a very good ramp on the "time to revenue" by controlling costs related to product development.

At empowerTel Networks, we had money in the bank and a very unique solution MxP (Media Express processor) for VoIP. We were starting to gain customer traction in the market place. A single MxP could process 672 channels (DS3) of TDM voice streams!

In tough times, serious acquirers want to first touch and feel your business to make sure that it is for real. Second, it has to be synergistic in terms of products, people and customers to make complete business sense for them.

This was what made the two mergers possible even in tough time.

Do you think corporate America has lost its credibility to some extent following the Enron and Worldcomm debacles?

Yes, it has put a lot of burden on corporate America to go the extra mile to show how clean it runs its business. Most of the American business leaders are honest and hardworking individuals who truly put their customers and employees before their own personal gains. Now and then, you see a few rotten apples that spoil this image.

In the case of Enron and WorldCom, they took it a notch lower and have tarnished that image.

What are the segments where you expect M&A to happen during 2003?

Even today, there are twice as many technology companies as we had in 1995, trying to serve the same market space. This means that other companies will either absorb many of these companies or they will simply perish. In today's market conditions, no one is excluded. We can expect some more large-scale mergers like

the HP/Compaq.

You were one among a few to strike two deals in a sluggish market. What would be your advice to budding entrepreneurs for 2003? Can they hope for better things or should they go slow?

Things will get better but it is going to take time, more than some pundits had predicted earlier! Having said that, there are always opportunities for us to reap and in fact, there is much more when there is a downturn. An entrepreneur is capable of smelling the opportunity to create value for both the customers and the investors. I know it is not easy but the entrepreneur should pursue in this endeavor without worrying about short-term gains.

Instead I would advice them to focus on the value of building strong organizations that can withstand or adapt to changes in the market place.

How do you balance the interest of employees, investors and shareholders while preparing a merger strategy?

Merger is a game of balancing expectations and fairness. At the time of founding the company, there was a level of expectation set for returns to the Investors. However, during hard times it is difficult to meet those expectations. Any mergers during such hard times create competing agendas among the parties.

It is important to educate the investors on the value that the employees brought into the company and the continued value they add to the merger. At the same time, we have to educate the employees on the fair value that has to be yielded to the investor to make the merger possible.

Once all the involved parties are clear on the options they have, it becomes a very smooth process. In other words, it is about being forthcoming and honest with both the par-

ties.

How do you perceive the media and related fields? In addition, what are your plans in this regard?

I think there are plenty of opportunities to marry media and related fields with technology. You have already seen some benefits of that with the arrival of Internet. Today cricket lovers living in the US can watch the game live on PC through subscription, or get free real-time updates. We can also watch streaming videos of important global events.

In the last two years, we have seen a healthy growth in Broadband connections and I believe that it is just starting to open up new opportunities.

Do you perceive a difference in attitudes amongst VCs after the dotcom and telecom busts? How are they different now?

As you might remember the VCs were driven more by momentum than value prior to the bust. However, they are more cautious now and investing only in opportunities that can clearly articulate value.

How do you react to criticism of the hiving off Lara Technologies from Lara Networks before selling the latter?

Firstly, Lara Networks was a spin-off from Lara Technology. This was a decision made collectively by the Board based on the market conditions and sentiments at the time to enhance shareholder value. I was merely executing on the Board's decision.

Do you think Indian industry has not matured enough to accept M&A? If given an opportunity, would you work on a merger or acquisition in India?

Unfortunately, I am not an expert in the area of M&A in the Indian Industry. Given an opportunity, I would definitely love to work.